

# Executive Summary

Claims Committee Meeting, March 10, 2022  
**Board of Governors Meeting, March 23, 2022**

## Fraud Analytics Software, ITN 21-0005

### Addendum/Supplemental Information

Based upon the discussion of this Action Item during the Claims Committee Meeting, we welcome the opportunity to provide additional clarification regarding the potential contract term details with the recommended FRISS solution, including technology and enhancement capabilities, and the estimated return on investment.

#### **Product Overview** -

The FRISS software offers Citizens a robust and powerful SaaS solution that is expected to enhance the effectiveness of Citizens' fraud fighting efforts across the insurance enterprise by detecting a higher volume of potentially fraudulent cases and streamlining an approach that increases speed of detection and investigation into agency, underwriting, and claims fraud.

Specifically, this software will:

- detect patterns, trends, and connections of suspicious people/events that would otherwise go undetected;
- automate the identification of potentially fraudulent conduct occurring from point of sale through the claim process through sophisticated analysis of near real-time internal and external data;
- provide a simplified approach to the visualization and reporting of complex data that expose relational networks between discreet parties; and,
- integrate with Citizens' Guidewire Insurance Suite (V9) from Guidewire Software, Inc. and have a high level of configurability with Microsoft data lake integration.

#### **Contract Term** -

The recommended base term of this agreement with FRISS, Inc. is for five (5) years. The estimated implementation time to integrate the FRISS tool with Citizens' existing software systems is between six (6) months to nine (9) months after project start. Following implementation, the impacted business units typically go through a period of iterative adjustments to business practices before the new system is fully adopted and operationalized. By the third contract year (and typically earlier), meaningful benefit realization measurements should be available. During the entire term of this contract, Citizens will have the ability to terminate the agreement, at our sole discretion, with 120 calendar days written notice.

During the third year of the initial five-year contract term, Citizens can evaluate whether to continue this contract for the remaining term, consider the future exercise of the optional renewal terms, or perhaps move toward a new solicitation with a different fraud analytics provider. For a complex technology solution, the procurement process can take nine (9) months or more to develop and complete a solicitation in accordance with s. 287.057, Florida Statutes. Then, two (2) to four (4)

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months are needed for Board approval to enter the resulting contract, with six (6) additional months to a year to implement a new solution. Citizens' staff will assess market conditions and vendor performance to inform the decision to renew, renegotiate, or conduct a new competitive solicitation.

Again, at any point during the contract term, if Citizens determines that the FRISS software is not providing a positive return on investment, Citizens has the option to terminate without cause upon 120 calendar days advance written notice.

## **Current Technology/Enhancement Considerations** –

A substantial amount of FRISS's annual operating budget is spent on continuing product research and development to remain a leader in this very competitive space. The core of their business is fraud and risk prevention through Software as a Service. As a result, their entire business model revolves around improving their technology and taking advantage of emerging technology to help better detect and prevent fraud, as well as to better understand risk. Below is a selection of FRISS product enhancements since the third quarter of 2021:

- AI Fraud Scenario Clustering - Based on the features of an AI model, FRISS clusters classifications together. Using these clusters, FRISS can automatically assign a label to a claim when it falls into a specific cluster. For example, grouping all fake hurricane claims together and showing this as a proposed type of fraud case to the adjuster and/or SIU handler.
- Image screening Application Programming Interface (API), which allows carriers to upload images and have them screened through the FRISS tool.
- Maps integration in the network viewer to visualize where claims occur.
- Integration between FRISS and Polonious Insurance Investigations (Polonious) case management solution.
- Adding an average of over 50 public data sources to their Underwriting Insights product each quarter.
- Improved network analysis using the National Insurance Crime Bureau (NICB), which creates optimized matches and an easier-to-read user interface.
- Guidewire PolicyCenter Accelerator to efficiently detect suspicious activity at point of sale.

In addition to ensuring their competitiveness in their industry, FRISS will invite representative(s) from Citizens to join as members of their Customer Advisory Board, following contract execution. Through this function, Citizens will contribute items/suggestions to the FRISS product roadmap and share their experiences with FRISS leadership.

## **Return on Investment (ROI)** –

FRISS provided the below information to clarify the estimated ROI Citizens may expect after fully utilizing this product. Citizens is seeking approval to utilize the FRISS tool to detect and investigate agency, underwriting and claims fraud. Please note that the example outlined below is not a guarantee but is reflective of the estimated impact based upon our 2021 claims volume of 32,462 and future forecasts.

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*Disclaimer: These numbers are estimates based on several assumptions. Due to external factors beyond our control, FRISS does not guarantee these or any other results - actual results may vary.*

	Year +1	Year +2	Year +3
<b>Number of claims - 2021 Calendar Year</b>	46,435	46,435	46,435
<b>Discoverable fraud out of total claims</b>	1.16%	1.98%	2.97%
<b>Average impact of discovered fraud case</b>	\$5,619.97	\$5,732.36	\$5,847.01
<b>Total economic impact from discovered fraud</b>	\$3,027,177.99	\$5,270,421.27	\$8,073,926.04
<b>Net impact after system costs (implementation plus subscription)</b>	<b>\$2,194,396.99</b>	<b>\$4,672,640.27</b>	<b>\$7,476,145.04</b>

The FRISS solution offers several configurable fields to track impact and financial metrics. Citizens will have the ability to adjust the fields as needed to track the benefit of the tool, along with other measures and metrics. In addition, FRISS allows Citizens to export reporting data for use in any typical tracking tools we may use, such as PowerBI.

The vendor acknowledges that false positives may be higher initially but anticipate alignment with lower rates seen in the industry within three (3) years. This is largely attributed to FRISS data scientists reviewing any errors or false positives with Citizens on a quarterly basis and working in conjunction with Citizens staff to make the appropriate adjustments to the system to reduce those moving forward.